

Message Text

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50

ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 DRC-01 NSC-10 SS-20

STR-08 CEA-02 PA-04 PRS-01 USIA-15 /158 W

----- 063054

R 071148Z DEC 73

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 810

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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E.O. 11652: N/A

TAGS: EFIN, BR

SUBJECT: FINANCIAL LOANS TO BRAZIL

1. DURING COURTESY CALL BY FINATT ON PAULO LIRA, DIRECTOR OF BRAZIL'S CENTRAL BANK, LIRA SAID THAT 40 PERCENT CRUZEIRO DEPOSIT REQUIREMENT ON FOREIGN FINANCIAL LOANS TO BRAZIL IMPOSED AUGUST 31 HAD BEEN VERY EFFECTIVE IN HALTING THE MASSIVE INFLOW OF FOREIGN FUNDS WHICH HAD BEEN NEGATING BRAZIL'S TIGHT DOMESTIC MONETARY POLICY AND HURTING DOMESTIC EFFORTS TO FIGHT INFLATION. LIRA NOTED THAT ONLY ABOUT \$30 MILLION IN FIANCIAL LOANS HAD COME IN SINCE THE DEPOSIT REQUIREMENT WAS IMPOSED. AS ANTICIPATED, HOWEVER, LOANS COMING UP FOR RENEWAL WERE ALL BEING ROLLED OVER SINCE THE RENEWED LOANS ARE NOT SUBJECT TO THE DEPOSIT. (THE TOTAL GROSS INFLOW OF FUNDS THIS YEAR THROUGH AUGUST 31 IS ESTIMATED TO HAVE BEEN ABOUT \$4 BILLION.)

2. WHEN ASKED ABOUT THE IMPACT OF THE MEASURE ON DOMESTIC CREDIT AVAILABILITY, LIRA OPINED THAT PRIVATE ENTITIES WERE FINDING ALTERNATIVE SOURCES OF FUNDS -- ALTHOUGH PERHAPS NOT

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SUFFICIENTLY TO OFFSET THE CUT OFF IN FOREIGN CREDITS WHILE

PAYING HIGHER INTEREST RATES. HE ADDED, HOWEVER, THAT PUBLIC ENTITIES WERE HAVING FINANCIAL PROBLEMS SINCE MONETARY AUTHORITIES, IN THEIR DETERMINATION TO FIGHT DOMESTIC INFLATION, HAVE BEEN DENYING THESE ENTITIES ACCESS TO THEIR USUAL SOURCES OF FUNDS. FURTHERMORE, LIRA NOTED THAT THE GOVERNMENT WAS DETERMINED TO KEEP THE LID ON AT THIS POINT, PARTICULARLY BECAUSE OF THE RENEWED INFLATIONARY PRESSURES.

CRIMMINS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
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Current Classification: UNCLASSIFIED
Concepts: CENTRAL BANK, INFLATION, BANK LOANS, CURRENCY STABILITY, CREDIT CONTROLS
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Copy: SINGLE
Draft Date: 07 DEC 1973
Decaption Date: 01 JAN 1960
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Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Previous Handling Restrictions: n/a
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Review Comment: n/a
Review Content Flags:
Review Date: 17 JAN 2002
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30 JUN 2005

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Review Transfer Date:
Review Withdrawn Fields: n/a
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Subject: FINANCIAL LOANS TO BRAZIL
TAGS: EFIN, BR, (LIRA, PAULO)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005